



(Incorporated in Hong Kong with limited liability)
Stock code: 1475

Nissin Foods Announces 2021 Interim Results

Revenue up 6.8% to HK\$1,853.8 million
PRC operations see positive revenue growth of 14.1%

(Hong Kong, 30 August 2021) **Nissin Foods Company Limited** (the “Company” or “Nissin Foods”, and together with its subsidiaries, the “Group”; Stock code: 1475) has today announced its interim results for the six months ended 30 June 2021 (“the reporting period”).

The PRC operations continued to perform well during the reporting period, while the Hong Kong operations were hard-hit by the high-base effect benefiting from the “stay-at-home” economy last year. Accordingly, the Group recorded a revenue of HK\$1,853.8 million, representing a 6.8% growth year-on-year (2020: HK\$1,735.4 million). It is primarily attributable to continuous revenue growth in the PRC operations, offset by the decrease in consumption in the Hong Kong operations. Gross profit was HK\$592.3 million (2020: HK\$588.0 million) with gross profit margin of 31.9% (2020: 33.9%), mainly attributed to the surge in raw materials prices, the decline in revenue from the Hong Kong operations and the lower contribution from the joint venture distribution business in Shanghai in the first year of its operations.

The Group’s EBITDA was HK\$281.3 million (2020: HK\$310.7 million), representing an EBITDA margin of 15.2% (2020: 17.9%). Profit attributable to owners of the Company was HK\$170.9 million (2020: HK\$178.4 million) with a net profit margin of 9.2% (2020: 10.3%). Profitability was affected during the reporting period as a result of the surge in raw material costs, and the increase in operating and non-operating expenses stemming from the continuous investment in various brands. The rise in costs was, however, compensated by the lower applicable tax rate during the period. Basic earnings per share were 15.94 HK cents (2020: 16.61 HK cents).

Hong Kong Operations

Revenue from Hong Kong operations was HK\$682.2 million (2020: HK\$708.6 million), owing to the absence of sudden surge in demand as in last year’s, especially in the bag-type instant noodles and frozen foods. Segment results was HK\$52.6 million (2020: HK\$97.9 million), mainly attributable to the decline in revenue, the escalating raw material prices since the second half of last year and the brand investment expenses.

The Group keeps up its effort to offer original and authentic Japanese delicacy with the launch of the inspirational and popular specialty of Kyushu Oita – fresh yuzu pepper, in tonkotsu soup base for both “Demae Iccho” and “Demae Iccho Bar Noodle” in the reporting period. Celebrating the 50th anniversary of the “Cup Noodles” brand this year, the Group has introduced a bold revamp to the whole series of sixteen flavours of the “Cup Noodles” to revolutionize the noodles quality. To further complement the instant noodles portfolio, the Group has also launched additional offerings under the “ROAH” and “FUKU” brands, together with the broad spectrum of offerings from the “Doll” brand in instant noodles and frozen foods.

For non-noodles business, the Group has continued to broaden its product portfolio in Hong Kong. The distribution business has shown a solid improvement as the people resume their normal activities, while the Group's in-house production of granola continued to be one of the consumers' favourite choices. The Group also made further efforts to the KAGOME products during the reporting period. With the products of the vegetable business already reaching the shelf of the supermarkets, the Group foresees it would continue to be a good complement in the long run.

To facilitate Nissin Foods' long term development, the Group acquired 100% interest in Ming Fong Packaging & Chemicals Limited ("Ming Fong") at a cash consideration of HK\$48.9 million on 14 April 2021. Ming Fong holds a portfolio of plants and machineries and a right-of-use of the land and leasehold property.

PRC Operations

Revenue from the PRC operations increased by 14.1% (in local currency: 4.8%) to HK\$1,171.6 million (2020: HK\$1,026.8 million), thanks to the growth in sales volume from the cup-type instant noodles as customers continued to prefer better quality products. The joint venture distribution business also contributed to the revenue inorganically in the first quarter of 2021. Segment profit increased slightly by 1.8% to HK\$145.4 million (2020: HK\$142.8 million), mainly attributable to the better control in cost of sales and a prudent investment in branding.

Echoing the revamp of "Cup Noodles" in Hong Kong, the Group has had a major product reform in the PRC to celebrate the brand's anniversary. During the reporting period, the Group launched various online and offline marketing and advertising campaigns to foster a stronger sense of brand loyalty and to reinforce a feeling of fashionable and premium brand. The Group also collaborated with different brands to launch crossover packaging for "Cup Noodles" and "ROAH" respectively.

With the joint venture distribution business in Shanghai commencing operation in April 2020, the Group has distributed food and beverage under famous third-party Japanese brands and handled the distribution of granola and "KAGOME" products in the PRC. The distribution business has performed up to the Group's expectation during the reporting period.

Prospects

Look forward, the soaring raw material prices that have been disrupting the manufacturing process and raising the production costs will remain one of the major concerns in the short run. Nonetheless, the Group is cautiously optimistic about its business outlook and will adopt efficient cost-saving measures to maintain competitiveness during challenging times. In Hong Kong, the launch of the Consumption Voucher Scheme is expected to stimulate consumption in the near term, especially on the small-value items such as the groceries, whereas the gradual increase in the vaccination rates will allow the economy to regain momentum in the medium term.

In May 2021, the Group announced an investment plan of approximately HK\$194 million to consolidate production facilities and install new smart production lines in Hong Kong. The production facilities will help create a flexible manufacturing system, while the new smart production lines will see higher productivity and management efficiency, as well as better quality control. The construction is expected to complete by 2023.

With the consumption continues to improve with higher per capita spending, the Group is confident on its time-proven track record and would continue to expand its business territory in the PRC with sustainable return.

Mr. Kiyotaka ANDO, Executive Director, Chairman and Chief Executive Officer of Nissin Foods, said, “At Nissin Foods, we considered it our corporate social responsibility to ensure the stable supply of food, and the pursuit of quality a strategic move towards the Group’s success. The Group has thus relentlessly kept serving consumers with consistent product optimisation, lately with Cup Noodles’ major product upgrade for instance. While consumption demand has been fluctuating as the global economy continues to reset, the Group has continued to provide better quality products and superior customer experience, a commitment which has helped it sail through good times and bad times. As a responsible corporate citizen, we are dedicated to protecting everyone’s wellbeing with stable food supply, and we will continue to stay alert, innovative and persistent in enhancing overall competitiveness, so as to create sustainable long-term value for all stakeholders.”

For complete information, please refer to the interim results announcement available on the Hong Kong Stock Exchange website at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0830/2021083000283.pdf>

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About Nissin Foods Company Limited

Nissin Foods Company Limited (The “Group”; Stock code: 1475) is a renowned food company in Hong Kong and the PRC with a diversified portfolio of well-known and highly popular brands and the largest instant noodle company in Hong Kong. The Group officially established its presence in Hong Kong in 1984. The Group primarily manufactures and sells instant noodles, frozen foods and other food products under its two core corporate brands, namely “NISSIN (日清)” and “DOLL (公仔)” together with a diversified portfolio of iconic household premium food brands. The Group’s five flagship product brands, namely “Cup Noodles (合味道)”, “Demaie Icho (出前一丁)”, “Doll Instant Noodle (公仔麵)”, “Doll Dim Sum (公仔點心)” and “Fuku (福)” are also among the most popular choices in their respective food product categories in Hong Kong. In the PRC market, the Group has introduced technology innovation through the “ECO Cup” concept into the market and primarily focuses its sales efforts in first-and second-tier cities in the PRC.

Nissin Foods is a constituent of eight Hang Seng Indexes, namely: Hang Seng Composite Index, Hang Seng Consumer Goods & Services Index, Hang Seng Stock Connect Hong Kong Index, Hang Seng Stock Connect Hong Kong MidCap & SmallCap Index, Hang Seng Stock Connect Hong Kong SmallCap Index, Hang Seng SCHK Mainland China Companies Index, Hang Seng SCHK ex-AH Companies Index, and Hang Seng Small Cap (Investable) Index. For more information, please visit www.nissingroup.com.hk.

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